

President gives a boost to reforms

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Within recent years, Ukraine has secured itself an image of a country overwhelmed by social, economic and political crises and corruption, shaken by miners' strikes and running a huge budget deficit. Many argue that its ailing economy is unlikely to recover in foreseeable future. Contrary to expectations, Ukrainian government has not conducted the land reform that would allow individuals and corporations to buy and sell land and make a tremendous difference to the agrarian sector. Privatisation is going at a slow pace, and private enterprises face the danger of being annihilated by the growing taxation pressure. Economic decisions often become hostage to political considerations.

In the time when a number of experts, politicians and businessmen in this country and in the West began to make predictions about a financial collapse in Ukraine that may be caused by the need to pay incredibly high interest rates on state bonds, President Leonid Kuchma decided to launch what may be described as a "second breath", or a "new round" of the economic reform process.

In order to demonstrate commitment, and give a new push to the reforms, President Kuchma used the stalemate that developed in connection with the new parliament's inability to achieve compromise and elect a speaker. On June 18, President Kuchma signed a number of decrees on economic issues. The action, according to the President's economic adviser Anatoly Galchynsky, was not "politically loaded"; rather, it was caused by the fact that 83 out of 140 social and economic bills submitted by the Cabinet of Ministers to the parliament for consideration have not even been taken for the first reading, and some of the bills sit there for years. 45 new bills were prepared by the Cabinet for the new Verkhovna Rada, but currently the law-makers are doing other things. Over a dozen of attempts to elect the Speaker were futile. Even if the Verkhovna Rada elected the Speaker tomorrow, it would still take a rather long time before it could start its main activities, i.e., discussion and adoption of the legislation. Prior to being able to engage in full action, the parliament will have to pass several stages. Since the Constitution demands that the Cabinet of Minister resigned after the election of the new parliament, the Verkhovna Rada will have to approve a new prime minister, nominated by the President - almost certainly, that will be Prime Minister Valery Pustovoitenko. Then, the parliament will have to complete an urgent task of summing up the two recent quarters of the year to make adjustments to the budget, and to discuss and adopt the government's program, and only then it can pass on to its normal law-making activity. However, none of these stages can be completed without the election of the Speaker, Vice Speakers and chairmen of parliamentary committees.

In fact, President Kuchma's recent initiatives do not present anything that was not included in his program statement, "On the Way of Economic Reforms", on October 11, 1994, which so far has produced only one substantial success: the stable national currency. However, critics of the President's course and skeptics about the current financial stabilization argue that such stabilization is possible only in conditions when economy does not really function.

Ukrainian politicians and economists differ in their views on these decrees, though even the hardest skeptics agree that the two agrarian decrees (on writing off and restructuring debts of agrarian firms and sugar factories, and on introducing a fixed agrarian tax to substitute for ten of the taxes levied before), as well as the decree regulating the order of importing raw sugar, and the decree on state support for small enterprises are obviously positive and timely.

The decrees do interfere with the Ukrainian legislature's field of authority, though there is hardly anything else to be done under the circumstances to rescue the Ukrainian economy. The decrees do not contradict the Constitution politically, as they do not disturb the balance of power in the state. According to Transitional Provisions of the Constitution, within three years after the adoption of the Constitution the President has the right to issue economic decrees, approved by the Cabinet and signed by the Prime Minister, on issues that are not regulated by laws. Simultaneously with issuing a decree, the President should submit an adequate bill to the parliament, and if the parliament fails to vote the bill into law or reject it by the constitutional majority of votes within thirty days (except days that fall into the parliamentary break), the President's decree comes into force and acts until the parliament adopts a relevant law on those issues.

The timing for issuing the decrees was chosen very well. even if the strong parliamentary left-wingers disagree with the President's decrees, they will not be able to block them due to the shortage of time. It appears that the President is planning to organize a chain of decrees to boost up the economic transition and to ensure that the parliament will find it more difficult to reject the bills that are almost identical to decrees if they have become instrumental to improvements in the economy .

The decrees indicate a certain dynamism of the President's actions. In his address to the Ukrainian people, Leonid Kuchma stated he took the responsibility for improving the situation. Although he said before, the difference is that this time he started acting almost immediately by signing the series of economic decrees. Six of them were published last week in the government's media outlet, the *Uriadovyi Kurrier*. hey included decrees "On Writing Off and Restructuring of the Taxation Arrears of Taxpayers Among Agrarian Firms and Sugar Factories (Combines) As of January 1, 1998", "On Fixed Agrarian Tax", "On Some Issues of Introducing Excise Duty Rates and Import Dues", "On Mobilizing Additional Funds and Financing of Social Payments", "On Regulation of Domestic and Foreign Borrowings Done by Local Self- Governance Authorities", and "On Introducing Rates of Levy to the Fund for Measures for Liquidating the Consequences of the Chornobyl Disaster and Social Protection of the Population". Two other decrees, announced though not formally published yet, sanction the creation of special economic tax-free zones in the Donetsk region and the town of Chornobyl workers, Slavutychn. Ten more decrees are being discussed and adjusted. These include the draft decrees "On Reducing VAT Rate and Broadening the Taxation Base", and "On Some Measures Regulating Goods Exchange (Barter) Operations in the economic turnover" Other decrees still under development include drafts on introduction of a fixed tax for small enterprises, slashing down benefits, regulation of the order of verification of enterprises, and on developing a "quick bankruptcy" procedure. According to Anatoly Galchynsky, initially it was planned to issue a decree that would regulate taxation of individuals, the draft was dropped due to the sensitivity of the issue.

Will foreign investors who normally need laws that would guarantee them stable rules of the game, be satisfied with the Presidential economic decrees and not by laws? Evidently, they will welcome positive changes in the Ukrainian legal environment, be those changes introduced by decrees or by laws, provided they are implemented and start making a difference.

With the presidential election clock ticking, it is important to ensure that the positive initiatives are carried out in full and on time. However, although the decrees inspire certain optimism about the economic reform course, the problem of their due implementation by agencies and departments all the way down the executive power structure remains, and officials at the Presidential Administration and the Cabinet appear to be well aware of that.